

Ofgem National Gas  
Transmission Project Union  
Feasibility Phase Consultation –  
Mutual Energy response

Date: 14<sup>th</sup> March 2023



mutualenergy 

A Northern Ireland company  
**working for consumers**

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## Background to Mutual Energy

Mutual Energy Limited (“MEL”) owns and operates large-scale, strategic energy assets in the long-term interest of Northern Ireland (“NI”) energy consumers, including critical energy infrastructure linking the NI energy system to Great Britain (“GB”); the 500 MW HVDC electrical Moyle Interconnector and the Scotland to Northern Ireland Pipeline (“SNIP”) for gas. Both assets are essential to maintaining security of energy supply in NI. As well as these subsea assets, MEL owns and operates large sections of the onshore NI gas transmission network (the Belfast Gas Transmission Pipeline and the West Transmission Pipeline). MEL have also established a joint venture with GNI (UK) (the other gas Transmission System Operator (“TSO”) in NI) to provide a market operator function via the Gas Market Operator for Northern Ireland (“GMO NI”), to facilitate the efficient transportation of gas across the NI gas network.

As a mutual company, MEL has no shareholders and our corporate purpose is to own and operate energy infrastructure in the long-term interest of NI energy consumers.

## Why we are responding

Mutual Energy is committed to the timely delivery of a cost-efficient energy transition in Northern Ireland. We believe hydrogen will play a crucial role in the efficient, secure transition to decarbonised energy, and will require significant transportation and storage infrastructure across the UK and beyond. NI’s energy system has historically benefitted – in terms of cost, security, and emissions – from its gaseous interconnection with GB, developed in the late 1990’s, and we foresee significant potential for these benefits to continue into the future via a transition to hydrogen.

We are responding to this consultation on the basis that we own and operate NI’s gas interconnector with GB on behalf of Northern Irish energy consumers. We are therefore obligated to ensure it is appropriately utilised to help facilitate the NI energy transition, and to manage the risks and opportunities which the wider decarbonisation of energy across the UK presents.

## Key Messages

Mutual Energy welcome Ofgem’s minded-to decision to fund the Project Union Feasibility Phase. However, we recommend certain key aspects which Ofgem have indicated they are minded-to not fund / materially reduce funding for are critically re-considered, as we believe they are efficient and strategically valuable work, with benefits to the wider industry beyond NGT and the development of the UK hydrogen economy. Due to the complexity and the need for extensive stakeholder engagement, we consider that their early consideration, at this stage of the project, is appropriate, does not duplicate work elsewhere and are not business as usual activity.

We encourage explicit recognition of the importance of NI/GB interconnection by Ofgem and NGT in the present and future needs case of Project Union, in order to unlock and maximise UK-wide benefits.

Separate to the needs case and efficient funding of the project, we recommend that a formal inter-jurisdictional Moffat interconnection policy co-ordination framework – at government, regulatory and Transmission System Operator levels – is established in the near-term.

We also recommend that, to the greatest extent possible, Project Union deliverables are made publicly available, as they have significant industry-wide value.

## Responses to Consultation Questions

### Ofgem assessment of the Project

- Q1. Do you agree with our minded-to decision to approve funding for the Project under the NZASP re-opener mechanism, and at the value proposed?

We agree that funding the Project Union Feasibility Phase (“**the Project**”) is appropriate but have no comment on whether the Net Zero Pre-Construction and Small Projects (“**NZASP**”) re-opener mechanism in National Gas Transmission’s (“**NGT**”) licence is the appropriate means through which to fund the Project, or not.

We do, however, recommend that the level of funding proposed be critically re-considered, in light of what appear to be important elements of the Project which Ofgem have indicated they are minded-to not fund / materially reduce funding for (e.g. further development of commercial and regulatory frameworks and an engineering policy review/update). A ‘real-world’ project at the scale of Project Union, requiring extensive stakeholder engagement across different regions of the UK to ensure compatibility for any enduring regime, is ideal to further refine and develop these areas, which are important and complex matters and would likely benefit from the independent expertise of external resources. Early consideration of these issues, through the Feasibility Phase of the project, therefore, seems efficient and strategically valuable work, with benefits to the wider industry and hydrogen economy beyond NGT. To our knowledge, such work does not duplicate work ongoing elsewhere (for example, in individual cluster projects), and is in fact complementary / supportive to these projects. We note that the outcomes of such work aligns with the 12 separate evidence points which were, NGT state in its submission,<sup>1</sup> identified based on input from Ofgem and the Department for Business, Energy and Industrial Strategy’s (“**BEIS**”).

Despite natural gas transporter’s being well placed to develop suitable engineering policy for hydrogen network development/integration and consider appropriate commercial and regulatory framework development – due to their existing expertise, the benefits to natural gas consumers of repurposing and the likely interaction of any hydrogen system with the existing methane system – we do not agree it is Business as Usual (“**BAU**”) activity for them to fund such activity. These areas are unlikely to be progressed at the pace necessary to facilitate wider decarbonisation objectives without appropriate additional funding.

- Q2. Do you agree with our assessment of the Project’s needs case?

Yes, we agree with Ofgem’s assessment of the overarching needs case for the Project and the role it will play in developing the UK’s hydrogen infrastructure to align with government policy.

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<sup>1</sup> <https://www.nationalgas.com/document/141616/download>

We note, however, the image shown in Figure 1 below from NGT's submission, in which NI-GB interconnection does not feature. (Note, it is our understanding that the route shown of Project Union connection between Teesside and Grangemouth is purely indicative and should be interpreted as suggestive to bypassing Moffat, the connection point to the GB National Transmission System of Interconnectors 1 and 2 to Ireland, which MEL's SNIP connects into, to supply NI).

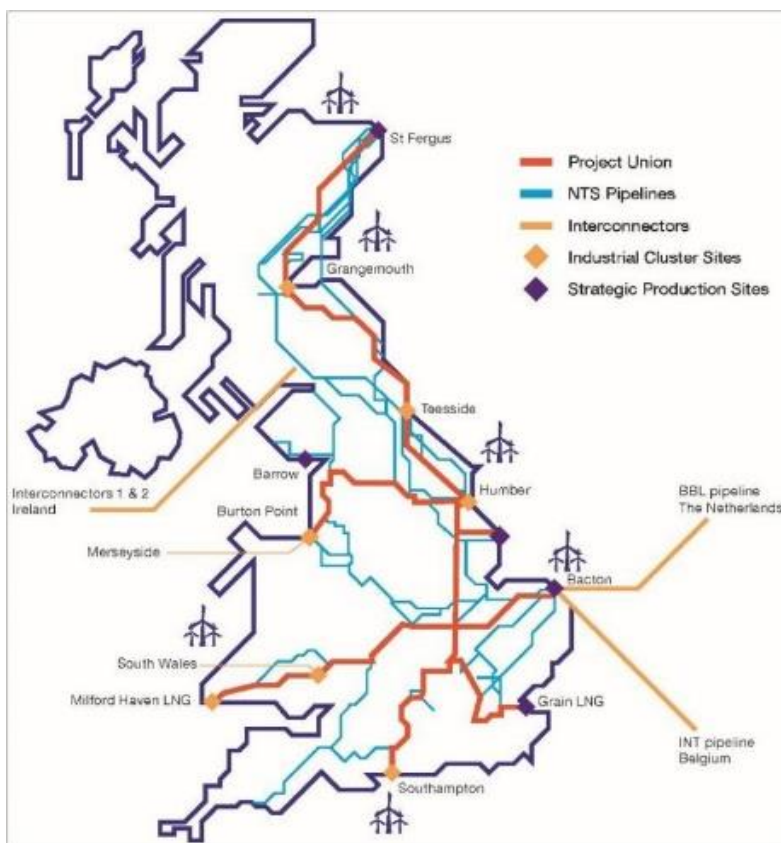


Figure 1: Project Union overview – routing of the hydrogen backbone is illustrative

We note NGT state in their application that Project Union's hydrogen transmission backbone would enable transport of, and fair access to, indigenous hydrogen supplies and storage across the UK. In order for that to be the case, the transmission backbone in GB needs to carefully consider the energy transition in NI and the need, therefore, for appropriate co-ordination/repurposing/development of gaseous interconnection between GB and the island of Ireland, and for such considerations to be within the scope of the Project.

For example, NGT state its customer and stakeholder engagement has demonstrated that *“hydrogen transmission infrastructure will be essential to providing a dynamic and resilient physical system on which to operate a liquid and competitive hydrogen market within the UK, lowering costs for the consumer and providing the opportunity to import and export hydrogen with international markets”*. This is consistent with BEIS' vision set out in its Hydrogen Transport and Storage Infrastructure Consultation,<sup>2</sup> which regardless of the role of hydrogen for heat, considers hydrogen as necessary for the efficient decarbonisation of power generation, at least.

<sup>2</sup> <https://www.gov.uk/government/consultations/proposals-for-hydrogen-transport-and-storage-business-models>

NGT state in its application that “Project Union enables decarbonisation of power generation by providing low carbon hydrogen as fuel for flexible power generation across the country”, assisting delivery of the UK’s commitment to decarbonise the power system by 2035.<sup>3</sup> Moreover, in the Climate Change Committee’s (“CCC”) recent Advice Report on how NI may reach its own, individual legislated target of net zero by 2050, it stated that, in order to decarbonise electricity generation in NI, “production or imports of hydrogen from low-carbon sources are also likely to be important”.<sup>4</sup>

We therefore view Project Union as a critical enabler of not only the energy transition in GB, but also the wider United Kingdom (“UK”), including NI, and we observe that this is consistent with NGT’s statement mentioned above. Therefore, we emphasise the need for the transition strategy of the Moffat interconnector (or alternative GB-NI interconnection) to be a critical factor which the scope of the Project should address, to ensure that NI can continue to access the wider UK gas market as it is decarbonised, which will help facilitate and accelerate the UK energy transition. Indeed, with such interconnectivity, hydrogen development in NI may have UK-wide benefits, such as access to potential salt cavern hydrogen storage, at Islandmagee near Larne.<sup>5</sup>

**We would encourage explicit recognition of the importance of NI/GB interconnection by Ofgem and NGT in the present and future needs case of Project Union, in order to unlock UK-wide benefits.**

**Furthermore, we recommend that a formal inter-jurisdictional Moffat interconnection policy co-ordination framework – at government, regulatory and Transmission System Operator levels – is established in the near-term.**

Q3. Do you agree with our assessment of the design and efficient costs of the Project’s work packages?

No further response, beyond the point made in Q1 above, that we recommend that the scope and level of funding proposed in some areas be re-considered.

Q4. Do you agree with our minded-to decision to reduce NGT’s proposed contingency costs of 7.5% to 0%?

No response.

Q5. Do you agree with our minded-to decision on the company contribution level?

No response.

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<sup>3</sup> <https://www.gov.uk/government/publications/british-energy-security-strategy/british-energy-security-strategy>

<sup>4</sup> <https://www.theccc.org.uk/publication/advice-report-the-path-to-a-net-zero-northern-ireland/>

<sup>5</sup> <https://wp-islandmageeenergy-2020.s3.eu-west-2.amazonaws.com/media/2021/07/06131913/Islandmagee-Energy-Transition-to-Net-Zero.pdf>

## Proposed directions and deliverables

- Q6. Do you have any views on the proposed project deliverables for NGT, and whether further deliverables are required?

As outlined in response to Q2 above, MEL strongly encourage that interconnection between two regions of UK – GB and NI – (be that via Moffat or potential alternatives) be a key element of the scope of this Feasibility Phase of Project Union and, therefore, that this form a key element of relevant deliverables, such as the Strategic Options Paper, Phasing Strategy, Market Analysis Report and Front End Engineering and Design (“**FEED**”) scope development (including pre-FEED studies), etc.

- Q7. Do you have any views on the proposed direction for the Project contained in Appendix 2?

It is unclear to what extent Project Union deliverables are required to be made public.

It is also unclear within NGT’s NZASP application to what extent they are proposing to publicly share the specific outcomes of each of the 13 work packages and/or listed in the Critical milestone plan.

We observe that the value of Project Union to UK-wide decarbonisation initiatives would be maximised by publication of the deliverables to greatest extent possible, given their industry wide value.